

Message Text

UNCLASSIFIED

PAGE 01 BELGRA 04921 311333Z

53

ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 SS-20 L-03 H-03 NSC-10 PA-04

PRS-01 USIA-15 AID-20 CIAE-00 COME-00 FRB-02 INR-10

NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03 CIEP-02

LAB-06 SIL-01 OMB-01 DRC-01 /159 W

----- 124216

R 311257Z OCT 73

FM AMEMBASSY BELGRADE

TO SECSTATE WASHDC 7705

INFO AMCONSUL ZAGREB

UNCLAS BELGRADE 4921

PASS TREASURY

E. O. 11652: N/A

TAGS: EFIN, YO

SUBJECT: US-YUGOSLAV DISCUSSIONS ON DOUBLE TAXATION

1. BEGIN SUMMARY: TREASURY TAX TEAM LED BY DEPUTY ASSISTANT SECRETARY OF TREASURY NATHAN GORDON HELD PRODUCTIVE DISCUSSIONS OCTOBER 29-30 WITH YUGOSLAV FINANCE SECRETARIAT TAX EXPERTS. AGREEMENT REACHED ON EXCHANGE OF PRELIMINARY TREATY TEXTS AND RESUMPTION OF DISCUSSIONS IN 1974. END SUMMARY.

2. TREASURY TAX TEAM DISCUSSIONS WITH YUGOSLAV TAX EXPERTS OCTOBER 29

-

30 WERE HELD IN CORDIAL ATMOSPHERE. YUGOSLAVS WELL-BRIEFED ON DOUBLE TAXATION MATTERS.

3. FIRST DAY OF DISCUSSIONS LARGELY CONCERNED WITH YUGOSLAV QUESTIONS ON VARIOUS ASPECTS OF US-USSR DOUBLE TAX TREATY, COMPARABILITY TO OECD MODEL TREATY AND ITS APPLICABILITY TO YUGOSLAVIA.

YUGOSLAVS SAID THAT TEX TREATY SHOULD PRECISELY DEFINE TAXES COVERED, PROVIDE FULL NON-DISCRIMINATORY TAX TREATMENT, AND INCLUDE PROVISIONS TO COVER TAXES ON SHIPPING/AIR TRAVEL. YUGOSLAVS

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BELGRA 04921 311333Z

EXPRESSED DESIRE FOR ARRANGEMENT TO ASSURE THAT US FIRMS BENEFITTING

FROM SPECIAL YUGOSLAV TAX INCETIVES ON INVESTMENT IN UNDER-DEVELOPED REGIONS WOULD NOT THEREBY LOSE US TAX OFFSET BENEFITS. CORDON POINTED OUT THAT US SENATE INSISTS ON PRINCIPLE THAT TAXES PAID ABORAD MAY BE DEDUCTED FROM US TAXES, BUT HAS ALWAYS REJECTED ALTERNATIVE PROPOSALS.

4. SECOND DAY OF TALKS LARGELY DEVOTED TO US INQUIRIES ABOUT YUGOSLAV TAX SYSTEM. YUGOSLAVS CURRENTLY ENGAGED IN EXTENSIVE REVISION OF FISCAL SYSTEM, SHIFTING MAIN BURDEN FROM INDIVIDUAL TO BUSINESS. ALL TAXES ARE IMPOSED BY REPUBLICS AND PROVINCES. NEW SYSTEM SCHEDULED TO BE FULLY IMPLEMENTED BY JANUARY 1, 1974. BASIC WITHHOLDING TAX ON PROFITS EARNED BY FOREIGN INVESTOR IS 35 PERCENT WITH REDUCTIONS IN TAX RATES FOR REINVESTED PROFITS. TAX INCENTIVES FOR LESS-DEVELOPED REGIONS EXIST. THERE IS NO YUGOSLAV CAPITAL GAINS TAX. YUGOSLAVS SAY TAX SYSTEM DOES NOT CURRENTLY ADDRESS QUESTION OF APPLYING LOSSES INCURRED IN ONE YEAR'S OPERATION AGAINST TAX LIABILITIES IN SUBSEQUENT YEARS, BUT EXPECT THAT NEW SYSTEM WILL CONTAIN SUCH PROVISIONS. YUGOSLAVS ANTICIPATE GOY PRINCIPLE THAT YUGOSLAV WORKERS ABROAD ARE EXEMPT FORM TAXATION IN YUGOSLAVIA WILL BE ONE OF THE MOST DIFFICULT PROBLEMS TO RESOLVE WHEN ACTUAL NEGOTIATIONS BEGIN.

5. TWO SIDES AGREED TO FORMULATE AND EXCHANGE PRELIMINARY DRAFTS. YUGOSLAVS WILL SEEK AUTHORITY FROM GOY TO UNDERTAKE FORMAL NEGOTIATIONS AND WILL FORWARD THEIR DRAFT TO TREASURY ONCE THEY RECEIVE THIS AUTHORITY. YUGOSLAVS ALSO SUGGESTED ADVISABILITY OF HOLDING FORMAL TALKS AFTER IMPLEMENTATION OF THEIR NEW TAX SYSTEM JANUARY 1, 1974. BOTH SIDES AGREED TO FIRST QUARTER 1974 AS EARLIEST PRACTICABLE TIME TO BEGIN PREPARATIONS FOR FORMAL NEGOTIATIONS.
TOON

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DOUBLE TAXATION, DIPLOMATIC DISCUSSIONS, TAX AGREEMENTS, TAX INCENTIVES
Control Number: n/a
Copy: SINGLE
Draft Date: 31 OCT 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973BELGRA04921
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: BELGRADE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t1973103/aaaaacap.tel
Line Count: 92
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: cunninfx
Review Comment: n/a
Review Content Flags:
Review Date: 02 JAN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02-Jan-2002 by bryansd0>; APPROVED <07 FEB 2002 by cunninfx>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: US-YUGOSLAV DISCUSSIONS ON DOUBLE TAXATION
TAGS: EFIN, YO
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005